chicago transit authority

annual report supplement

1974

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CHICAGO TRANSIT AUTHORITY
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METROPOLITAN TRANSIT
CTA

About This Supplement:

The narrative section of the 1974 Annual Report was incorporated in The CTA Quarterly for Summer, 1975.

In the interest of giving friends and supporters of CTA more comprehensive and readable information about CTA accomplishments in service to the public, this will be the plan for future years as well.

Detailed audited statements and notes for the year will be carried, when available, in annual supplements such as this one.

The supplements will be furnished automatically to bondholders and to those who have requested financial reports.

Sincerely,

Paul Kole

Paul Kole
General Finance Manager

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Director,

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ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

50% COTTON
ENGLISH BOND
by
FOX RIVER

To Chicago Transit Board of
Chicago Transit Authority:

We have examined the balance sheets of CHICAGO TRANSIT AUTHORITY ("Authority")(an Illinois municipal corporation) as of December 28, 1974, and December 29, 1973, and the related statements of accumulated deficit, income and expense, changes in financial position, application of contributions and grants for operating losses and debt service, contributed capital and application of revenue for the fifty-two week periods then ended. We have also examined the statement of funds for the fifty-two week period ended December 28, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as explained in the following paragraph regarding property and equipment owned by others.

As explained in Note 4 to the financial statements, the Authority reflects in its accounts, as contributed property, facilities which it has the exclusive right to operate. The additional property recorded is stated at its estimated original cost and no provision has been made to reflect the effect, if any, of depreciation which might have occurred since the property was initially placed in service. The estimated original cost reflected in the accounts of the Authority has been obtained from various sources outside the Authority,

principally from records maintained by the City of Chicago. In order to determine that the property is stated at original cost, a detailed study must be made by the Authority of all the available supporting documentation; such a study has not yet been initiated by the Authority. Accordingly, until such study is made, we are unable to determine what adjustments, if any, must be made to the recorded estimated costs of these properties in order to have them reflected at their original cost. In addition, as further noted in Note 4 to the financial statements, there is a question as to whether the Authority can include that portion of such property in its property account that was financed by the City of Chicago from the City Transit Fund and the City Traction Fund.

The accompanying financial statements reflect, in the opinion of the Authority, the proper interpretations of the Revenue Bond Trust Agreement. As discussed in Note 1, interpretations of provisions of such agreement have been, and continue to be, the subject of controversy. In addition, as a result of inadequate fare box revenues, the Authority has not been able to make the required deposits to the various funds, as operating expenses have exceeded the amount of the revenues. Under the terms of the Revenue Bond Trust Agreement, the Authority is required to fix adequate rates and charges for transportation that shall, at all times, be sufficient in the aggregate to provide for the payment of all operating expenses, debt service requirements and the creation and maintenance of an adequate depreciation reserve fund.

As discussed more fully in Note 3 to the financial statements, $2,163,441 of the $29,700,000 received in 1974 under an Interim Transportation Funding Program Agreement with the State of Illinois Department of Transportation has been reflected by the Authority in the accompanying statement of income as a reduction of the 1973 net loss from operations. Under this agreement, the financial assistance provided may not exceed the operating deficit (as defined) of the Authority for the payment period for which such advance was made, which covered the period December 1, 1973, through June 30, 1974. If the financial assistance provided exceeds the Authority's operating deficit, as defined, the Authority may be required to repay such excess to the state. As indicated in Note 3, the management of the Authority is of the opinion that $18,000,000 in contributions and grants received by the Authority during the last six months of 1973 from the City of Chicago and the County of Cook should not be considered as operating revenue or income as defined under the terms of the agreement. However, if it is assumed that a portion of the $18,000,000 is to be considered as operating revenue or income for December, 1973, there may not be a deficit for such period. Accordingly, all or a portion of the $2,163,441 in assistance reflected as a reduction of the 1973 net loss from operations may be subject to refund to the state if it is finally determined that the financial assistance received exceeded the operating deficit, as defined.

The Authority has been receiving emergency financial assistance from the Regional Transportation Authority (RTA) and, through March 28, 1975, has entered into three agreements with the

RTA in conjunction with the receipt of such assistance for operating deficits incurred subsequent to June 30, 1974. As indicated in Note 3 to the financial statements, these agreements contain many covenants which the Authority must observe. The Authority covenants, among other things, that (a) no default or event of default shall occur under any indenture or agreement securing or providing for the issuance of obligations of the CTA, (b) no material adverse change will occur in the financial condition of the CTA, (c) the amount of its current liabilities will not materially increase and (d) all its obligations will be paid when due. As set forth in the notes to the financial statements, as a result of the financial difficulties of the Authority, all of the terms of the Revenue Bond Trust Agreement and Equipment Trust Agreement are not being met. Also, the Authority continues to experience greater need for public funding to satisfy its operating cost requirements and obligations are being paid only as funds are available. As a result, not all obligations are being met when due. Accordingly, such conditions could represent noncompliance under the various RTA agreements. The effect, if any, of such noncompliance is not determinable. The RTA may, at its sole discretion, upon the violation of any covenants of these agreements terminate and/or cancel these agreements and demand the return of the financial assistance provided to the Authority.

As indicated in the accompanying financial statements and in the notes thereto, the Authority has significant financial problems as fare box revenues have not been adequate to meet its various obligations. The recovery of the cost of its transportation property,

materials and supplies and other assets and its ability to meet its obligations and to comply with the terms of the Revenue Bond and Equipment Trust Agreements depend upon adequate revenues or funds from other sources. The net loss before application of contributions and grants received for the fifty-two week periods ended December 28, 1974, and December 29, 1973, was $78,322,813 and $49,095,652, respectively. During these two periods, the Authority has received substantial amounts of contributions and grants for operating losses, debt service on equipment trust certificates and property improvements and, based upon the current level of revenues and operating costs, such assistance must be continued if the Authority is to be able to meet its obligations in the future. Commencing in 1974, as discussed in Notes 3 and 7 to the financial statements, the Authority began receiving financial assistance from the Regional Transportation Authority.

In our opinion, subject to the effect, if any, of the ultimate outcome of the various matters discussed in the preceding paragraphs of this report and, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Authority conducted the detailed study of all the available supporting documentation supporting the costs of property and equipment owned by others, the accompanying financial statements present fairly the financial position of the Chicago Transit Authority as of December 28, 1974, and December 29, 1973, and the results of its operations and the changes in its financial position, in conformity with generally

accepted accounting principles and the application of its revenue in accordance with the Revenue Bond Trust Agreement, for the periods then ended, consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 28, 1975.

by
FOX RIVER

CHICAGO TRANSIT AUTHORITY

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50% COTTON
ENGLISH BOND
by
FOX RIVER

EXHIBIT I

CHICAGO TRANSIT AUTHORITY

BALANCE SHEETS

AS OF DECEMBER 28, 1974, AND DECEMBER 29, 1973

ASSETS	1974	1973
TRANSPORTATION PROPERTY, at cost, including property and equipment owned by others and operated by the Authority (Exhibit VI and Note 4)	$546,735,802	$531,246,917
Less- Accumulated provision for depreciation (Note 4)	(182,727,796)	(176,194,249)
	$364,008,006	$355,052,668
SPECIAL FUNDS (Exhibit VIII):		
Held by Revenue Bond Trustee-		
Revenue bond reserve (Note 1)-		
Series of 1947	$ 5,476,615	$ 6,129,889
Series of 1952	75,260	694,005
Series of 1953	22,371	208,741
Depreciation reserve (Notes 1 and 2)	56,693	51,277
Modernization fund (Note 1)	181,866	163,335
Damage reserve (Note 1)	7,261,940	1,646,163
Grant from the State of Illinois available for other contractual obligations (Exhibit V)	1,147,930	1,051,608
Unapplied proceeds from sale of real estate (Note 1)	1,489,619	879,513
	$ 15,712,294	$ 10,824,531
OTHER CURRENT ASSETS:		
Working cash account (deficit) (Exhibit VIII)	$ (5,601,876)	$ 8,982,695
Unexpended Regional Transportation Authority grant (Exhibit VIII and Note 3)	1,700,000	-
Contributions and grants receivable (Note 3)-		
Regional Transportation Authority	18,231,677	-
City of Chicago	3,000,000	-
County of Cook	2,000,000	-
Accounts receivable, less reserve-		
Due from the State of Illinois for student and senior citizen fare differential	5,385,392	7,061,801
Due from the State of Illinois and U. S. Department of Transportation for capital improvement grants	1,626,359	1,758,587
Other	2,174,204	2,249,737
Materials and supplies, at average cost, less reserve	9,187,514	7,407,330
Other	913,615	628,320
	$ 38,616,885	$ 28,088,470
	$418,337,185	$393,965,669

LIABILITIES	1974	1973
LONG-TERM DEBT:		
Revenue bonds (Note 1)-		
Series of 1947, 3-3/4%, due 1978	$ 20,816,000	$ 26,008,000
Series of 1952, 4-1/2%, due 1982	13,694,000	13,918,000
Series of 1953, 4-1/2%, due 1982	4,311,000	4,382,000
	$ 38,821,000	$ 44,308,000
Less- Sinking funds held by Trustee for payment of principal (Exhibit VIII and Note 1)	(180,827)	(4,554,768)
	$ 38,640,173	$ 39,753,232
Equipment trust certificates, Series 11, 3.90%, due through 1976 (Note 2)	3,240,000	4,770,000
	$ 41,880,173	$ 44,523,232
CONTRIBUTED CAPITAL FOR PROPERTY IMPROVEMENTS AND PRINCIPAL PAYMENTS ON DEBT SERVICE (Exhibit VI and Notes 3 and 4)	$345,309,420	$318,075,620
ACCUMULATED DEFICIT (Exhibit II and Note 3)	$(32,493,977)	$(19,072,841)
GRANT FROM THE STATE OF ILLINOIS FOR OTHER CONTRACTUAL OBLIGATIONS--unapplied (Exhibit V)	$ 962,380	$ 962,380
UNAPPLIED CONTRIBUTIONS FROM CITY OF CHICAGO AND COUNTY OF COOK (Note 3)	$ 2,500,000	$ -
ACCRUED INTEREST ON LONG-TERM DEBT, due within one year:		
Revenue bonds	$ 782,583	$ 894,947
Equipment trust certificates	10,530	17,924
	$ 793,113	$ 912,871
OTHER CURRENT LIABILITIES:		
Accounts payable	$ 25,322,397	$ 23,270,871
Accrued wages and vacation pay	15,504,492	13,162,101
Unredeemed tokens	2,243,214	2,056,170
Other contractual obligations-		
Reimbursement of cost of transportation equipment--due City of Chicago	2,130,842	1,545,768
Substation conversion costs--due Commonwealth Edison Company	1,179,032	1,134,005
	$ 46,379,977	$ 41,168,915
DAMAGE RESERVE (Note 1)	$ 13,006,099	$ 7,395,492
	$418,337,185	$393,965,669

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT II

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF ACCUMULATED DEFICIT
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 28, 1974, AND DECEMBER 29, 1973

	1974	1973
ACCUMULATED DEFICIT--beginning of period	$(19,072,841)	$ (5,775,464)
Net loss before application of contributions and grants (Exhibit III)	(78,322,813)	(49,095,652)
Contributions and grants (Note 3)-		
Applied to current period (Exhibit III)-		
Net loss from operations	62,574,420	35,606,803
Interest charges	163,816	191,472
Grants recorded in 1974 and applied to reduce 1973 net loss from operations	2,163,441	-
ACCUMULATED DEFICIT--end of period	$(32,493,977)	$(19,072,841)

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT IV

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE FIFTY-TWO WEEK PERIODS ENDED DECEMBER 28, 1974, AND DECEMBER 29, 1973

	1974	1973
FUNDS PROVIDED (USED) BY OPERATIONS:		
Net loss before application of contributions and grants (Exhibit III)	$(78,322,813)	$(49,095,652)
Contributions and grants applied to reduce net loss from operations and to meet interest charges	62,738,236	37,961,716
Net loss	$(15,584,577)	$(11,133,936)
Add back- Provision for depreciation which did not require the current outlay of funds	15,603,935	14,916,873
Funds provided by operations	$ 19,358	$ 3,782,937
ADD- FUNDS PROVIDED BY SOURCES OTHER THAN OPERATIONS:		
Contributions and grants for payment of principal on debt	$ 1,530,000	$ 1,123,923
Grants recorded in 1974 and applied to reduce 1973 net loss from operations (Note 3)	2,163,441	(2,163,441)
Grants for capital improvement projects	25,703,800	35,523,666
Net proceeds from the sale of real estate	528,050	1,020,935
Funds provided by sources other than operations	$ 29,925,291	$ 35,505,083
LESS- FUNDS USED OTHER THAN BY OPERATIONS:		
Principal retirements-		
Revenue bonds	$ 5,487,000	$ 8,830,000
Equipment trust certificates	1,530,000	1,470,000
Additions to transportation property-		
Capital improvement projects	25,703,800	35,523,666
Other	218,588	191,930
Funds used other than by operations	$ 32,939,388	$ 46,015,596
Net change	$ (2,994,739)	$ (6,727,576)
NET CHANGE CONSISTS OF THE FOLLOWING CHANGES IN BALANCE SHEET ACCOUNTS:		
Increase (decrease) in working cash	$(14,584,571)	$ 5,505,409
Increase in unexpended Regional Transportation Authority grant	1,700,000	-
Increase in grants receivable from Regional Transportation Authority	18,231,677	-
Increase in contributions receivable from City of Chicago and County of Cook	5,000,000	-
Increase in unapplied contributions from City of Chicago and County of Cook	(2,500,000)	-
Increase (decrease) in amounts due from the State of Illinois for student and senior citizen fare differential	(1,676,409)	7,061,801
Increase (decrease) in amounts due from the State of Illinois and U. S. Department of Transportation for capital improvement grants	(132,228)	1,758,587
Decrease in other accounts receivable	(75,533)	(1,629,574)
Decrease in funds held by Trustee for payment of principal on revenue bonds	(5,832,330)	(6,239,218)
Increase in accounts payable	(2,051,526)	(11,278,472)
Increase in accrued wages and vacation pay	(2,342,391)	(2,378,094)
Decrease in capital improvement project deposit liability	-	2,040,566
(Increase) decrease in other liabilities, net of changes in other assets	1,268,572	(1,568,581)
	$ (2,994,739)	$ (6,727,576)

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT IV

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE FIFTY-TWO WEEK PERIODS ENDED DECEMBER 28, 1974, AND DECEMBER 29, 1973

	1974	1973
FUNDS PROVIDED (USED) BY OPERATIONS:		
Net loss before application of contributions and grants (Exhibit III)	$(78,322,813)	$(49,095,652)
Contributions and grants applied to reduce net loss from operations and to meet interest charges	62,738,236	37,961,716
Net loss	$(15,584,577)	$(11,133,936)
Add back- Provision for depreciation which did not require the current outlay of funds	15,603,935	14,916,873
Funds provided by operations	$ 19,358	$ 3,782,937
ADD- FUNDS PROVIDED BY SOURCES OTHER THAN OPERATIONS:		
Contributions and grants for payment of principal on debt	$ 1,530,000	$ 1,123,923
Grants recorded in 1974 and applied to reduce 1973 net loss from operations (Note 3)	2,163,441	(2,163,441)
Grants for capital improvement projects	25,703,800	35,523,666
Net proceeds from the sale of real estate	528,050	1,020,935
Funds provided by sources other than operations	$ 29,925,291	$ 35,505,083
LESS- FUNDS USED OTHER THAN BY OPERATIONS:		
Principal retirements-		
Revenue bonds	$ 5,487,000	$ 8,830,000
Equipment trust certificates	1,530,000	1,470,000
Additions to transportation property-		
Capital improvement projects	25,703,800	35,523,666
Other	218,588	191,930
Funds used other than by operations	$ 32,939,388	$ 46,015,596
Net change	$ (2,994,739)	$ (6,727,576)
NET CHANGE CONSISTS OF THE FOLLOWING CHANGES IN BALANCE SHEET ACCOUNTS:		
Increase (decrease) in working cash	$(14,584,571)	$ 5,505,409
Increase in unexpended Regional Transportation Authority grant	1,700,000	-
Increase in grants receivable from Regional Transportation Authority	18,231,677	-
Increase in contributions receivable from City of Chicago and County of Cook	5,000,000	-
Increase in unapplied contributions from City of Chicago and County of Cook	(2,500,000)	-
Increase (decrease) in amounts due from the State of Illinois for student and senior citizen fare differential	(1,676,409)	7,061,801
Increase (decrease) in amounts due from the State of Illinois and U. S. Department of Transportation for capital improvement grants	(132,228)	1,758,587
Decrease in other accounts receivable	(75,533)	(1,629,574)
Decrease in funds held by Trustee for payment of principal on revenue bonds	(5,832,330)	(6,239,218)
Increase in accounts payable	(2,051,526)	(11,278,472)
Increase in accrued wages and vacation pay	(2,342,391)	(2,378,094)
Decrease in capital improvement project deposit liability	-	2,040,566
(Increase) decrease in other liabilities, net of changes in other assets	1,268,572	(1,568,581)
	$ (2,994,739)	$ (6,727,576)

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT V

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF APPLICATION OF CONTRIBUTIONS AND GRANTS FOR OPERATING LOSSES AND DEBT SERVICE FOR THE FIFTY-TWO WEEK PERIODS ENDED DECEMBER 28, 1974, AND DECEMBER 29, 1973

	1974	1973
AVAILABLE FOR OTHER CONTRACTUAL OBLIGATIONS--UNAPPLIED FROM PRIOR PERIOD	$ 962,380	$ 984,578
CONTRIBUTIONS AND GRANTS RECORDED (Note 3):		
City of Chicago	$ 3,000,000	$ 7,300,000
County of Cook	2,000,000	17,000,000
State of Illinois	29,700,000	12,600,000
Regional Transportation Authority	34,231,677	-
TOTAL RECORDED	$68,931,677	$36,900,000
TOTAL AVAILABLE	$69,894,057	$37,884,578
APPLIED TO MEET:		
Operating losses	$62,574,420	$35,606,803
Operating losses for 1973, recorded in 1974	2,163,441	-
Debt service requirements for current period-		
Revenue bond principal payments	-	16,423
Revenue bond interest payments	-	5,775
Equipment trust certificates principal payments	1,530,000	1,107,500
Equipment trust certificates interest payments	163,816	185,697
TOTAL APPLIED	$66,431,677	$36,922,198
BALANCE AVAILABLE	$ 3,462,380	$ 962,380
LESS- UNAPPLIED CONTRIBUTIONS FROM CITY OF CHICAGO AND COUNTY OF COOK	2,500,000	-
AVAILABLE TO MEET OTHER CONTRACTUAL OBLIGATIONS	$ 962,380	$ 962,380
ACCUMULATED INTEREST INCOME EARNED ON UNEXPENDED CONTRIBUTIONS AND GRANTS	185,550	89,228
TOTAL AVAILABLE FOR OTHER CONTRACTUAL OBLIGATIONS	$ 1,147,930	$ 1,051,608

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT VI

50% COTTON ENGLISH BOND by FOX RIVER

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF CONTRIBUTED CAPITAL

FOR THE FIFTY-TWO WEEK PERIODS ENDED DECEMBER 28, 1974, AND DECEMBER 29, 1973

	Balance Dec.31,1972	Activity During the Period	Balance Dec.29,1973	Activity During the Period	Balance Dec.28,1974
CONTRIBUTIONS FOR PROPERTY IMPROVEMENTS (Note 4):					
Federal	$124,830,377	$23,342,469	$148,172,846	$17,261,318	$165,434,164
City of Chicago	116,153,048	(55,370)	116,097,678	(37,419)	116,060,259
State of Illinois	16,260,108	11,603,232	27,863,340	8,478,129	36,341,469
County of Cook	2,548,335	600	2,548,935	-	2,548,935
Other	6,940,965	632,735	7,573,700	1,772	7,575,472
TOTAL CONTRIBUTIONS FOR PROPERTY IMPROVEMENTS	$266,732,833	$35,523,666	$302,256,499	$25,703,800	$327,960,299
OTHER CONTRIBUTIONS AND GRANTS (Note 3):					
For payment of principal-					
Revenue bonds	$ 11,832,224	$ 16,423	$ 11,848,647	$ -	$ 11,848,647
Equipment trust certificates	2,230,836	1,107,500	3,338,336	1,530,000	4,868,336
For payment of substation conversion costs	632,138	-	632,138	-	632,138
TOTAL OTHER CONTRIBUTIONS AND GRANTS	$ 14,695,198	$ 1,123,923	$ 15,819,121	$ 1,530,000	$ 17,349,121
TOTAL CONTRIBUTED CAPITAL	$281,428,031	$36,647,589	$318,075,620	$27,233,800	$345,309,420

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT VII

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF APPLICATION OF REVENUE

(IN ACCORDANCE WITH THE REVENUE BOND TRUST AGREEMENT)

FOR THE FIFTY-TWO WEEK PERIODS ENDED DECEMBER 28, 1974, AND DECEMBER 29, 1973

	1974 (Note 1)	1973
OPERATING REVENUE	$195,040,693	$186,477,427
OPERATING EXPENSE, exclusive of the provision for depreciation (Exhibit III)	257,615,113	220,809,128
Net loss from operations, exclusive of provision for depreciation	$(62,574,420)	$(34,331,701)
REVENUE BOND DEBT SERVICE REQUIREMENTS:		
Interest	$ (1,709,562)	$ (1,941,769)
Sinking funds	(6,499,457)	(6,255,229)
	$ (8,209,019)	$ (8,196,998)
DEFICIENCY IN OPERATING REVENUE BEFORE DEPRECIATION	$(70,783,439)	$(42,528,699)
DEPRECIATION REQUIREMENT--CURRENT PERIOD	(15,603,935)	(14,916,873)
DEFICIENCY IN OPERATING REVENUE BEFORE APPLICATION OF CONTRIBUTIONS AND GRANTS	$(86,387,374)	$(57,445,572)
CONTRIBUTIONS AND GRANTS (Exhibit III):		
Applied to reduce operating losses (Note 6)	$ 62,574,420	$ 37,770,244
Applied to meet revenue bond debt service requirements	-	22,198
	$ 62,574,420	$ 37,792,442
DEFICIENCY IN REVENUE AFTER APPLICATION OF CONTRIBUTIONS AND GRANTS	$(23,812,954)	$(19,653,130)

The accompanying notes to financial statements are an integral part of these statements.

EXHIBIT VIII

CHICAGO TRANSIT AUTHORITY

STATEMENT OF FUNDS

FOR THE FIFTY-TWO WEEK PERIOD ENDED DECEMBER 28, 1974

	Funds Held by Revenue Bond Trustee						Funds Held by Equipment Trustee			Other Funds				
	Transit Revenue	Interest Funds	Sinking Funds (Note 1)	Revenue Bond Reserve Funds (Note 1)	Depreciation Reserve	Modernization (Note 1)	For Payment of Interest	For Payment of Principal	Additional Security Account	State Grants (Exhibit V)	Regional Transportation Authority Grant (Note 3)	Unapplied Proceeds From Sale of Real Estate (Note 1)	Damage Reserve	Working Cash Account
BALANCE OF CASH, CERTIFICATES OF DEPOSIT, AND U. S. GOVERNMENT SECURITIES, at cost, at beginning of period	$ 921,280	$ -	$ 4,554,768	$7,032,635	$51,277	$163,335	$ -	$ -	$ 53,544	$1,051,608	$ -	$ 879,513	$ 325,507	$ 9,382,071
ADD- Receipts:														
Fare box receipts	$ 156,761,415	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sale of tokens	17,329,915	-	-	-	-	-	-	-	-	-	-	-	-	-
State reimbursement for student fare reductions and senior citizen fare reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	20,562,781
Federal and state capital improvement project grants	-	-	-	-	-	-	-	-	-	-	-	-	-	26,107,099
Grants for debt service and operating costs	-	-	-	-	-	-	-	-	-	-	16,000,000	-	-	29,700,000
Sale of property (Note 1)	-	-	-	-	-	-	-	-	-	-	-	528,050	-	-
Income on investments	-	-	286,954	363,537	5,416	18,531	-	-	3,040	96,322	-	82,056	40,084	921,597
Other receipts	7,455,086	-	-	-	-	-	-	-	-	-	-	-	-	607,723
Total receipts	$ 181,546,416	$ -	$ 286,954	$ 363,537	$ 5,416	$ 18,531	$ -	$ -	$ 3,040	$ 96,322	$16,000,000	$ 610,106	$ 40,084	$ 77,899,200
ADD (DEDUCT)- Interfund transfers:														
Related to debt service requirements-														
From working cash	$ -	$ -	$ -	$ -	$ -	$ -	$ 171,210	$ 1,530,000	$ -	$ -	$ -	$ -	$ -	$ (1,701,210)
From revenue bond reserve funds	-	1,821,926	-	(1,821,926)	-	-	-	-	-	-	-	-	-	-
For injuries and damages	-	-	-	-	-	-	-	-	-	-	-	-	9,302,912	(9,302,912)
Grants applied to operating costs	-	-	-	-	-	-	-	-	-	-	(14,300,000)	-	-	14,300,000
For reimbursement of current expenditures	(181,594,046)	-	-	-	-	-	-	-	-	-	-	-	-	181,594,046
Net transfers	$(181,594,046)	$ 1,821,926	$ -	$(1,821,926)	$ -	$ -	$ 171,210	$ 1,530,000	$ -	$ -	$(14,300,000)	$ -	$ 9,302,912	$ 184,889,924
Total available before disbursements	$ 873,650	$ 1,821,926	$ 4,841,722	$5,574,246	$56,693	$181,866	$ 171,210	$ 1,530,000	$ 56,584	$1,147,930	$ 1,700,000	$1,489,619	$ 9,668,503	$ 272,171,195

EXHIBIT VIII
Continued

	Funds Held by Revenue Bond Trustee						Other Funds							
							Funds Held by Equipment Trustee							
	Transit Revenue	Interest Funds	Sinking Funds (Note 1)	Revenue Bond Reserve Funds (Note 1)	Depreciation Reserve	Modernization (Note 1)	For Payment of Interest	For Payment of Principal	Additional Security Account	State Grants (Exhibit V)	Regional Transportation Authority Grant (Note 3)	Unapplied Proceeds From Sale of Real Estate (Note 1)	Damage Reserve	Working Cash Account
Total available before disbursements	$ 873,650	$ 1,821,926	$ 4,841,722	$5,574,246	$56,693	$181,866	$ 171,210	$ 1,530,000	$ 56,584	$1,147,930	$1,700,000	$ 1,489,619	$ 9,668,503	$ 272,171,195
DEDUCT- Disbursements:														
For debt service on revenue bonds	$ -	$(1,821,926)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
For retirement of revenue bonds	-	-	(4,610,895)	-	-	-	-	-	-	-	-	-	-	-
For debt service on equipment trust certificates	-	-	-	-	-	-	(171,210)	(1,530,000)	-	-	-	-	-	-
For current expenditures	-	-	-	-	-	-	-	-	-	-	-	-	(9,389,966)	(271,663,318)
For legal fees paid to revenue bond trustee	-	-	(50,000)	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	$ -	$(1,821,926)	$(4,660,895)	$ -	$ -	$ -	$(171,210)	$(1,530,000)	$ -	$ -	$ -	$ -	$(9,389,966)	$(271,663,318)
BALANCE AT END OF PERIOD	$ 873,650	$ -	$ 180,827	$5,574,246	$56,693	$181,866	$ -	$ -	$ 56,584	$1,147,930	$1,700,000	$ 1,489,619	$ 278,537	$ 507,877
CONSISTS OF:														
Cash	$ 873,650	$ -	$ 5,204	$ 544,435	$56,693	$ 1,866	$ -	$ -	$ 56,584	$ -	$1,700,000	$ 1,489,619	$ (106,463)	$ (2,873,665)
U. S. Government securities, at cost	-	-	175,623	5,029,811	-	180,000	-	-	-	1,147,930	-	-	385,000	3,381,542
	$ 873,650	$ -	$ 180,827	$5,574,246	$56,693	$181,866	$ -	$ -	$ 56,584	$1,147,930	$1,700,000	$ 1,489,619	$ 278,537	$ 507,877
ADD (DEDUCT)- Interfund transfers to be made after end of period:														
For injuries and damages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,525,726	$ (7,525,726)
From equipment trust accounts representing income on investments, net of expenditures	-	-	-	-	-	-	-	-	(56,584)	-	-	-	-	-
Reimbursement for expenditures	(873,650)	-	-	-	-	-	-	-	-	-	-	-	(542,323)	1,415,973
Net transfers to be made	$ (873,650)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$(56,584)	$ -	$ -	$ -	$ 6,983,403	$ (6,109,753)
BALANCE AT END OF PERIOD, after transfers	$ -	$ -	$ 180,827	$5,574,246	$56,693	$181,866	$ -	$ -	$ -	$1,147,930	$1,700,000	$ 1,489,619	$ 7,261,940	$ (5,601,876)
CLASSIFIED IN THE ACCOMPANYING BALANCE SHEET AS:														
Special funds	$ -	$ -	$ -	$5,574,246	$56,693	$181,866	$ -	$ -	$ -	$1,147,930	$ -	$ 1,489,619	$ 7,261,940	$ -
Other current assets	-	-	-	-	-	-	-	-	-	-	1,700,000	-	-	(5,601,876)
Reduction of long-term debt	-	-	180,827	-	-	-	-	-	-	-	-	-	-	-
	$ -	$ -	$ 180,827	$5,574,246	$56,693	$181,866	$ -	$ -	$ -	$1,147,930	$1,700,000	$ 1,489,619	$ 7,261,940	$ (5,601,876)

The accompanying notes to financial statements are an integral part of this statement.

CHICAGO TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(1) TRUST AGREEMENT SECURING REVENUE BONDS:

To finance the acquisition of predecessor companies and for extending or improving the transportation system, the Chicago Transit Authority ("CTA") issued revenue bonds secured by a Trust Agreement with The First National Bank of Chicago, as Trustee. In this Trust Agreement, the CTA covenants that, among other things, it will operate and modernize the transportation system and fix rates and charges for transportation that shall, at all times, be sufficient in the aggregate to provide for the payment of all operating expenses and debt service requirements and the creation and maintenance of an adequate depreciation reserve fund. If and whenever there shall be a failure on the part of the CTA to observe any covenant of the Trust Agreement, the Trustee may institute any appropriate legal, equitable or other proceeding for the purpose of specifically enforcing such covenant, provided, however, no such proceeding shall result in a lien on or a foreclosure of any physical property of the CTA.

The Trust Agreement also prescribes the order of precedence which shall be followed in applying the revenue of the CTA.

(A) Application of Revenue-

Revenue of each month, after deducting operating expenses, is, in the opinion of the Authority, to be deposited in the following funds, in the order shown, to the extent that moneys are available therefor:

1. Revenue bond interest funds, sinking funds and revenue bond reserve funds--deposits equal to debt service requirements as provided in the Trust Agreement.

2. Depreciation reserve fund--deposits equal to the monthly depreciation provision and deficiencies in prior years' deposits.

3. Revenue bond amortization fund--deposits, cumulative within the year, equal to $300,000 quarterly for the Series of 1947 and 1952 revenue bonds and $16,714 quarterly for the Series of 1953 revenue bonds.

4. Operating expense reserve fund--deposit to be not less than $900,000 each year, until the balance in the fund is equal to at least $4,000,000.

5. Municipal compensation fund--deposit to be computed in accordance with the franchise ordinance.

6. Modernization fund--deposits to be equal to the moneys remaining after making required deposits to the above funds.

Because transit revenues have been insufficient to pay currently the costs and expenses of operating and maintaining the transportation system, no moneys have been available from transit revenues to pay revenue bond debt service costs or to meet any other requirements subsequent thereto under the provisions of the Trust Agreement.

(B) Rates and Charges for Transportation-

As noted above, under the provisions of the Trust Agreement, the CTA covenants that it shall fix adequate rates and charges for transportation. This requirement for adequate rates is also called for by the Metropolitan Transit Authority Act and the Equipment Trust Agreement.

(C) Operation of the Sinking Fund-

In prior years, there was a question of interpretation of the Trust Agreement regarding the use of moneys in the sinking fund. In 1973, the Circuit Court of Cook County directed the Revenue Bond Trustee to use the moneys accumulated in the sinking funds for the purchase and cancellation of bonds at the lowest prices reasonably obtainable. Pursuant to this action, the Revenue Bond Trustee purchased $5,487,000 and $8,830,000 principal amounts of bonds during the fifty-two week periods ended December 28, 1974, and December 29, 1973, respectively, at a cost of $4,611,000 and $7,161,000, respectively. The balance of $180,082 in the sinking funds at December 28, 1974, primarily represents the unexpended balance in the series of 1947 sinking fund. No deposits, other than interest earned on moneys on deposit in the funds, have been made to the sinking funds since early 1973. Under the provisions of the Trust Agreement, the CTA is required to deposit, to the extent available, approximately $6,750,000 during 1975 in the various sinking funds to be used for the retirement of revenue bonds.

(D) Operation of the Revenue Bond Reserve Funds-

Amounts deposited in revenue bond reserve funds can be used only for (1) payment of interest on revenue bonds whenever, on any interest payment date, there are insufficient moneys held by the Trustee in applicable interest and other funds or (2) retirement of remaining bonds outstanding whenever the aggregate amount in the revenue bond reserve fund and the sinking fund for any series is equal to the amount of applicable series bonds then outstanding.

As discussed in Note 1 (A), transit revenues have not been available to pay revenue bond debt service costs; consequently, transfers have been made from the revenue bond reserve funds to meet interest requirements on the revenue bonds. Moneys on deposit in the revenue bond reserve fund were sufficient to meet the January 1, 1975, interest requirements on the 1947 Series. However, moneys on deposit

in the 1952 and 1953 revenue bond reserve funds were insufficient; the CTA transferred moneys from the modernization fund and from the unapplied proceeds from the sale of real estate account to satisfy the 1952 and 1953 interest requirements. The entire balance in the revenue bond reserve funds at December 28, 1974, represents moneys available in the Series of 1947 reserve.

(E) Depreciation-

The Trust Agreement requires the CTA to set aside monthly in the depreciation reserve fund an amount not less than 8% of revenue to provide for replacement of the transportation system, principal and interest on equipment trust certificates and, under certain circumstances, principal and interest on the revenue bonds. Moneys have not been deposited in the depreciation reserve fund from revenues since 1970.

(F) Pension Plan-

The CTA has agreed to contribute a fixed percentage of payroll costs to a contributory retirement plan maintained for the benefit of all its employees. The CTA's pension provisions for the fifty-two week periods ended December 28, 1974, and December 29, 1973, were $22,509,000 and $19,617,000, respectively, and were intended to cover normal cost of $3,950,000 and $3,916,000 for those periods plus interest on and a reduction of unfunded prior-service liability. The CTA's policy is to fund pension cost accrued. It is estimated that the unfunded prior-service liability as of the latest actuarial valuation date, January 1, 1974, was $233,196,000, as compared with an estimated $222,932,000 as of January 1, 1973. The actuarially computed value of vested benefits of the plan as of the last actuarial valuation exceeded the total book value of the assets of the plan and accruals for pensions by approximately $142,684,000. At December 28, 1974, the book value of the plan assets, which was approximately $159,000,000, exceeded the market value of those assets by approximately $47,000,000.

(G) Damage Reserve-

The Trust Agreement provides that the CTA shall set aside monthly in a damage reserve fund, for defense of all claims and the payment of all judgments for injuries and damages, such amounts as are deemed sufficient by the Chicago Transit Board. Prior to December, 1973, the CTA provided for such a reserve at the rate of 5% of operating revenues. From December, 1973, through December, 1974, the CTA provided for such a reserve based upon 6% of operating expenses. Effective January 1, 1975, the rate was reduced to 4% of operating expenses. The resulting provisions for injury and damages for the fifty-two week periods ended December 28, 1974, and December 29, 1973, were $14,582,000 and $9,817,000, respectively. At December 28, 1974, the balance in the damage reserve amounted to $13,006,099, and the balance in the related damage reserve fund was $7,261,940. The difference represents a funding deficiency created at the time the CTA was established. In addition, the balance in the damage reserve fund includes, as set forth in the accompanying Statement of Funds, $6,983,403 due from other funds.

While determining the cost of unsettled claims and suits as of December 28, 1974, is at best difficult, if such an estimate is based on the experience of the previous five years, the estimated cost of future settlements will approximate $10,500,000. If such an estimate is based upon 1974 experience, the estimated cost of future settlements will approximate $12,100,000.

(H) Commingled Cash and Securities-

The cash and securities included in Other Funds as set forth in the Statement of Funds (Exhibit VIII) is, except for the damage reserve fund, commingled in the working cash account. Separate accountabilities of the commingled total are maintained in the CTA's records with respect to the various accounts.

(I) Sale of Property-

Because of a question of proper legal interpretation of the Trust Agreement regarding the disposition of funds received from the sale of property, a suit was filed in the Circuit Court of Cook County. In a declaratory judgment order of July 23, 1974, the Circuit Court held that all moneys received by the CTA from the liquidation, conversion or disposition of any property which are to be deposited in the modernization fund may be made to any depository chosen by the CTA, so long as the deposits are made in the name of the Revenue Bond Trustee.

The said order of July 23, 1974, is presently on appeal to the Illinois Supreme Court. The CTA currently deposits proceeds from the sale of real estate into the unapplied proceeds from the sale of real estate account, which is not in the name of the Revenue Bond Trustee.

Under the July 23, 1974, order, the Court further held that the CTA shall make no orders of disbursements of moneys presently in, or properly allocable to, the modernization fund pending final appeal of the Court's order or further order of the Court. As explained in Note 1 (D), the CTA transferred $123,575 from its unapplied proceeds from the sale of real estate account to meet a portion of the January 1, 1975, interest payment on its revenue bonds. This transfer was made incident to stipulation and court concurrence.

A question of legal interpretation exists as to the priorities which apply to any moneys deposited in the modernization fund. Under the July 23, 1974, order, the Circuit Court held that disbursements from the modernization fund could only be made on written order of the CTA and that the CTA Board was vested with discretion as to priorities. That order was appealed. In February, 1975, the Appellate Court of Cook County reversed the Circuit Court and issued an opinion stating that the Revenue Bond Trustee has the right to use at any time the moneys in the modernization fund, other than the proceeds of gifts, loans or grants. The order of the Appellate Court is now on appeal to the Illinois Supreme Court.

Management of the CTA is of the opinion that moneys in the modernization fund are properly applied to capital expenditures, revenue bond or equipment trust debt service at its discretion.

The CTA has consistently followed the practice of not recognizing any gain on the sale of real estate if the property being sold is part of the transportation property acquired from predecessor companies.

For sales of property other than real estate, the CTA has also consistently followed the practice of crediting the amount from the sale of all transportation property to the reserve for depreciation. No gain or loss is therefore recognized. The cash realized from such sales is deposited in the working cash account.

(2) EQUIPMENT TRUST AGREEMENT:

While the CTA has not complied with the provisions of the Trust Agreement securing the Equipment Trust Series 11 with respect to monthly deposits with the Equipment Trustee in amounts sufficient to meet the next succeeding principal maturity and interest requirement, as of December 28, 1974, the CTA had retired all certificates that had matured and had made all interest payments required through that date. The CTA has recorded and applied the grants from the City of Chicago and County of Cook, which are discussed in more detail in Note 3, to meet the principal maturities and interest requirements for periods subsequent to June 30, 1974. Since these grant proceeds were not received by December 28, 1974, the principal maturity and interest payments were disbursed from the working cash account pending reimbursement when the grant proceeds were received in 1975.

Under the Equipment Trust Agreement, the CTA covenants that it will maintain a minimum balance ($2,268,000 at December 28, 1974) in the depreciation reserve fund as long as any equipment trust certificates remain outstanding. At December 28, 1974, the balance of the depreciation reserve fund was $56,693. The 1975 requirement for principal maturities on the equipment trust certificates is $1,590,000.

When the CTA fails to comply with the terms and covenants of the Equipment Trust Agreement, the Equipment Trustee (subject to certain requirements which pertain to length of time a deficiency exists, proper notice, etc.) may declare the unpaid principal amount of the equipment trust certificates to be due and payable and may repossess all or part of the 578 motor buses and 313 elevated-subway cars pledged as collateral.

(3) CONTRIBUTIONS AND GRANTS FOR OPERATING LOSSES AND DEBT SERVICE:

During 1974, the CTA received financial assistance for operating losses and debt service on the equipment trust certificates from the State of Illinois, the Regional Transportation Authority (RTA), the City of Chicago and the County of Cook. Under the terms

of the related agreements, these contributions and grants are not subject to the terms of the Chicago Transit Authority Revenue Bond Trust Agreement and cannot be used for debt service on the revenue bonds.

In February, 1974, the CTA entered into an Interim Transportation Funding Program Agreement with the State of Illinois Department of Transportation to provide adequate interim funding through June 30, 1974. Under this agreement, the Department of Transportation agreed to pay the CTA financial assistance in an amount not to exceed $29,700,000 and not to exceed the operating deficit (as defined) of the CTA for the payment period for which such advance was made, which covered the period December 1, 1973, through June 30, 1974. The RTA is obligated to repay to the State all of the financial assistance advanced pursuant to this agreement. Under this agreement, the CTA received the entire $29,700,000 from the State of Illinois during 1974. Of this amount, $27,536,559 was applied to the operating deficit (as defined) incurred during the first six months of 1974 and to meet the debt service requirements on its equipment trust certificates. The remaining $2,163,441 has been reflected in the accompanying Statement of Income as a reduction of the 1973 net loss from operations. As more fully discussed in a following paragraph, the CTA received $18,000,000 during the last six months of 1973 in contributions and grants from the City of Chicago and the County of Cook. In the opinion of management of the CTA, no portion of such funds are to be considered as operating revenue or income under the terms of the agreement with the State of Illinois in determining the operating deficit for December, 1973.

Under an agreement dated December 6, 1974, the CTA received $16,000,000 of emergency financial assistance from the RTA to cover specific items of expense: pensions, group insurance and payroll costs. As of December 28, 1974, $14,300,000 of the grant had been expended and the remaining $1,700,000 was expended by the CTA in March, 1975.

In February, 1975, the RTA granted an additional $9,349,000 to the CTA for the purpose of offsetting the operating deficit incurred for the period July 1, 1974, through December 28, 1974. Under the terms of this agreement, the cash proceeds were used to replace funds expended for payroll obligations for the period from July 1, 1974, through January, 1975.

In March, 1975, the RTA granted an additional $22,500,000 of emergency financial assistance for the purpose of offsetting the remaining operating deficit for the period July 1, 1974, through December 28, 1974, the remainder to be used to partially offset the estimated operating deficit expected to be incurred during the period December 29, 1974, through March 7, 1975. Accordingly, $8,882,677 was applied against the remaining 1974 deficit and $13,617,323 will be reflected against the expected 1975 deficit. The cash proceeds, $22,500,000, were used to replace the funds expended for payroll obligations for the period from July 1, 1974, through March 7, 1975.

In the opinion of the management of the CTA, (a) the overall intent and purpose of the RTA grants were fully observed, and (b) all of the grant proceeds have been expended in accordance with the terms of the related agreements. These agreements with the RTA contain many covenants which the CTA must observe. In the event the CTA fails to observe such covenants, the RTA may, among other things, cancel these agreements and demand the return of the grant funds. Depending upon the interpretation of certain of these covenants and taking into consideration the significant financial problems of the CTA, a question may exist as to a literal and technical compliance with such covenants at the date of execution of such agreements and/or subsequent thereto. The March 13, 1975, Agreement provides an example of such covenants:

> "4. Termination of Grant; Recovery of Payments. The Authority (RTA) may, at its sole discretion, upon the occurrence of any of the following events and upon giving written notice to the Carrier (CTA), terminate the Grant and/or cancel the Agreement in its entirety....
>
> "(c) Default shall occur under any indenture or agreement securing or providing for the issuance of obligations of the Carrier (CTA), or any event shall occur which shall constitute a default or event of default thereunder, and any such default or event of default shall continue unremedied for a period sufficient to permit the acceleration of the maturity of such obligation, or default shall be made by the Carrier (CTA) in the payment of the principal or interest of any such obligation when due unless such obligation shall be extended or renewed; ....
>
> "(g) A material adverse change occurs in the financial condition of the Carrier (CTA);
>
> "16. Affirmative Covenants. For six months after the date of this Agreement, Carrier (CTA) will, unless the Authority (RTA) shall otherwise consent in writing:
>
> "(a) Not take any action which materially changes or affects its net working capital, its current assets, its current liabilities, or its total liabilities (all to be determined in accordance with generally accepted accounting principles consistently applied)....
>
> "(c) Pay and discharge when due and payable all its obligations and indebtedness and all lawful assessments and governmental charges or levies imposed upon its income, property or business,..."

The City of Chicago and County of Cook have entered into agreements with the RTA under which they have agreed to provide $3,000,000 and $2,000,000, respectively, in contributions and grants to the CTA applicable to the period July 1, 1974, through June 30, 1975, for use in meeting operating expenses and principal and interest payments on equipment trust certificates. Accordingly, the CTA has designated 50% or $2,500,000 of such assistance as being available for use in each half of this period. The entire $5,000,000 is reflected in the accompanying balance sheet as a grant receivable at December 28, 1974. Through March 28, 1975, $4,700,000 has been received; $2,700,000 from the City of Chicago and $2,000,000 from the County of Cook were received in February, 1975.

During 1973, the CTA received an Emergency Transportation Operation Grant in the amount of $12,600,000 from the State of Illinois. Also, during that year, the City of Chicago and County of Cook contributed grants totaling $24,300,000, of which $6,300,000 represented matching grants as required by the legislation providing for the state grant and $12,000,000 was provided by the County of Cook pursuant to an agreement between the County of Cook and the State of Illinois, Department of Transportation. The remaining $6,000,000 was provided as outright grants from the City of Chicago and County of Cook. Under the terms of the grants, the proceeds were to be used for operating expenses, including principal and interest payments applicable to equipment trust certificates, and could not be used for debt service on revenue bonds. In addition, according to the terms of the grant, the proceeds were not subject to the terms of the Chicago Transit Authority Revenue Bond Trust Agreement dated July 1, 1947, as amended. Of these moneys, $18,000,000 was received from the City of Chicago and the County of Cook during the last six months of 1973. In the absence of a specific provision setting forth the period to which these moneys should be applied, i.e., either in the period the cash was received or to the deficits of prior periods, the CTA reflected these contributions and grants in the statement of income and expense for the last six months of 1973. The unfunded deficit for 1972 was $21,808,166.

The portion of the contributions and grants applied to meet principal payments on the equipment trust certificates is included as part of contributed capital in the accompanying balance sheet. The remaining portion of the contributions and grants applied to meet operating losses and interest payments on equipment trust certificates is included as a reduction of the accumulated deficit in the accompanying statement of income and expense.

(4) CONTRIBUTED PROPERTY:

The CTA has been granted by the City Council of the City of Chicago the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago. Included in the transportation system operated by the CTA are certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and various long-term lease and other agreements.

50% COTTON
ENGLISH BOND
by
FOX RIVER

The CTA reflects in its accounts as contributed property such facilities which it does not own but which it has the exclusive right to operate and which are stated at estimated original cost of approximately $229,000,000 as of December 28, 1974. No provision has been made to reflect the effect, if any, of depreciation which might have occurred since the property was initially placed in service. The estimated original cost reflected in the accounts of the CTA has been obtained from various sources, including reports of the City of Chicago, project status reports prepared by various agencies, contracts, bills of sale and, in other instances, original invoices. This documentation is not complete and, in order to determine that the property is stated at actual original cost, a detailed study must be made by the CTA of all the available supporting documentation. Such a study has not yet been initiated by the CTA. In the opinion of management of the CTA, any adjustment resulting from such a study would not be significant.

The provision for depreciation as reflected in the accompanying financial statements is equal to 8% of revenues. As pointed in in Note 1, 8% of revenues is the minimum provision required by the Trust Agreement. No consideration has been given to the possible effect that depreciating the contributed property would have on the accumulated provision for depreciation.

As indicated in the accompanying statements of contributed capital (Exhibit VI), a substantial portion of the property recorded in the CTA's accounts was financed by the City of Chicago. The Chicago Transit Authority Ordinance (the franchise ordinance) provides that no disbursements, with certain exceptions, made by the City from the City Traction Fund or from the City Transit Fund shall be included in the property account of the CTA. In the opinion of management, the recording of this property is desirable to reflect the scope of the CTA's operations and, by specifically designating the accounts in which this property is recorded as being contributed property operated but not owned by the CTA, they have complied with the Chicago Transit Authority Ordinance.

The property recorded includes the State Street and Dearborn Street subways, Congress, Dan Ryan and Kennedy Expressway Rapid Transit facilities and other property including the amounts expended under the present Federally and state-funded capital improvement projects.

The CTA has entered into capital grant contracts with the Department of Transportation, Urban Mass Transportation Administration (DOT-UMTA) and with the State of Illinois under the Transportation Bond Act. Under these contracts, the CTA is acquiring additional motor buses and rapid transit cars as well as renewing and improving various portions of track structures and related operating systems. DOT-UMTA will finance approximately $170,000,000, with the State of Illinois financing approximately $66,000,000. Through December 28, 1974, $86,722,000 has been expended by the CTA and substantial commitments have been entered into for the remainder.

(5) UTILITY TAX LIABILITY:

During the past year, the CTA has been billed approximately $320,000 for utility taxes. In the opinion of the CTA, the State of Illinois has enacted legislation exempting the CTA from the payment of such taxes. While the CTA has recorded this liability and reflected it as an operating expense, it has not paid any of the amounts billed.

(6) RESTATEMENT OF THE NET LOSS FOR 1973:

As explained in Note 3, during 1974, the CTA received a grant from the State of Illinois to meet operating losses. A portion ($2,163,441) of this grant was applied by the CTA to its December, 1973, operations. The net loss for the period ended December 29, 1973, as shown in the accompanying financial statements has been restated to reflect that portion of the 1974 grant applied to reduce the 1973 loss.

(7) REGIONAL TRANSPORTATION AUTHORITY:

The purpose of the Regional Transportation Authority (RTA), as set forth in its enabling legislation, is to provide for, aid and assist public transportation in the northeastern area of the state without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area with the power and competence to provide and facilitate public transportation which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and state plans.

In order to accomplish its purposes, the RTA shall determine the level, nature and kind of public transportation which should be provided for the metropolitan region. It may provide public transportation by securing such service from transportation agencies through purchase of service agreements, by grants to such agencies or by operating such service itself. The RTA may also impose certain taxes throughout the metropolitan region, may borrow money and may issue negotiable bonds or notes.

As explained in Note 3, the RTA has been providing emergency financial assistance to the CTA. The CTA is anticipating requesting additional emergency financial assistance from the RTA to cover expected operating deficits through June 30, 1975. For the period beginning July 1, 1975, the CTA expects to enter into an agreement with the RTA regarding financial assistance to the CTA for operations subsequent to that date.